



north east combined authority

Transport North East (Tyne and Wear) Sub-Committee

Thursday 28th April 2016 at 2.00 pm

Meeting to be held at the Civic Centre, Barras Bridge, Newcastle upon Tyne, NE1 8QH

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AGENDA

Page No

1. **Apologies for Absence**
2. **Declarations of Interest**

Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.
3. **Minutes of the Previous Meeting** 1 - 4
4. **Monitoring Nexus' Performance: 1 April 2015 to 27 February 2016** 5 - 18

(Monitoring Nexus' Performance and Metro Performance Update)
5. **Metro Operations 2017 to 2019** 19 - 26
6. **Nexus' Strategic Risks 2016/17** 27 - 42
7. **Date and Time of Next Meeting**

July 2016, date and time to be confirmed.
8. **Exclusion of Press and Public**

Under section 100A and Schedule 12A Local Government Act 1972 because exempt information is likely to be disclosed and the public interest test against disclosure is satisfied.

- | | | |
|-----|---|----------------|
| 9. | Confidential Minutes of the Previous Meeting | 43 - 44 |
| 10. | Tyne Tunnels Update | 45 - 68 |

Contact Officer: Victoria Miller Tel: 0191 211 5118 E-mail: victoria.miller@northeastca.gov.uk

To All Members

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

26 February 2016

Meeting held: Committee Room, Civic Centre, Regent Street, Gateshead, NE8 1HH

Present:

Councillor: J Harrison (Chair)

Councillors: G Hobson, J McCarty, J McElroy and M Mordey

62 APOLOGIES FOR ABSENCE

There were no apologies for absence received.

63 DECLARATIONS OF INTEREST

There were no declarations of interest.

64 MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting held on 28 January 2016 were approved as a correct record and signed by the Chair.

Matters Arising

(a) Monitoring Nexus' Performance: 1 April to 5 December 2015

(Minute 54 refers)

Network Rail

Further to the previous discussion of the recent incidents on the Metro system between Pelaw and Sunderland, as in the seventeenth bullet point, the Chair clarified that this section of line had been developed by Railtrack, Network Rail's predecessor body, and it was now the responsibility of Network Rail to maintain it.

Members' Seminar

The Chair asked that a seminar should be organised for Members on the Bus Quality Contract Scheme options, as previously requested (bullet point 6 refers).

65 NEXUS SERVICE REVIEW

Submitted: An update report of the Managing Director (Transport Operations) (previously circulated and copy attached to Official Minutes).

Members considered the report which provided information on the proposed review of Nexus' services.

Subsequent to the ensuing discussion which included the following matters:

- the importance of the public and councillors being involved in the consultation process
- the importance of effective timetable for consultation process
- the understanding that reliance on reserves in delivering public services should be limited
- the importance of a budget that delivered effective public transport services, and also the role of the Quality Contract Scheme that had been previously proposed
- concern about the position with regard to the substantial underfunding by the government of concessionary travel
- concern about the unequal distribution of the national funding for concessionary travel
- concern about the scale of cuts to budgets of the local authorities in the region, which was disproportionate when compared with the South
- concern about resistance from the government to accept a more accurate data available in Tyne and Wear on the concessionary travel needs of the area, despite the previous representations
- concern about the government moving away from the use of a needs basis when allocating funds and the seeming expectation that local authorities should use reserves to cover the needs of their areas
- the needs of Tyne and Wear, the relatively low car ownership and the high reliance on public transport
- the need for effective funding for the public transport services in the region
- the importance of continuing to make representations to the government on the matters set out above,

it was:

RESOLVED – That:

- i. A review of Nexus' services, to be led by the Managing Director (Transport Operations), be undertaken prior to the commencement of the budget setting process for 2017/18;
- ii. The Managing Director (Transport Operations) be instructed to take into account views expressed by the public and key stakeholders when making proposals for the Sub-Committee's consideration, which would enable Nexus to achieve a balanced budget, without having to place reliance on its financial reserves by no later than 2019/20; and

- iii. The draft consultation document be submitted to a future meeting of the Sub-Committee, or circulated at a forthcoming Members' seminar, for comment prior to it being issued to the public.

66 DB REGIO TYNE AND WEAR LIMITED (DBTW) PERFORMANCE UPDATE

Submitted: An update report of the Managing Director (Transport Operations) (previously circulated and copy attached to Official Minutes).

Members considered the report which provided an update on the performance relating to the operation of the Metro system by the concessionaire Deutsche Bahn Region Tyne and Wear Ltd (DBTW).

During the ensuing extensive discussion Members asked questions about the performance, debated the matter and made comments emphasising the importance of improving the performance of the Metro services.

RESOLVED – That:

- i. The report be noted; and
- ii. The performance of the Metro services be improved.

67 PUBLICITY MARKETING AND PROMOTIONS POLICY FOR TYNE AND WEAR

Submitted: An update report of the Managing Director (Transport Operations) (previously circulated and copy attached to Official Minutes).

Members considered the report which sought endorsement of a policy for publicity, marketing and promotions in the Tyne and Wear area as undertaken by Nexus on behalf of the Combined Authority.

RESOLVED – That:

- i. The Publicity Marketing and Promotions Policy be approved; and
- ii. Members be e-mailed with regular updates on the publicity, marketing and promotions activity, including major marketing campaigns, new sponsorships, marketing partnerships and reviews of marketing activity.

68 DATE AND TIME OF NEXT MEETING

Thursday, 28 April 2016 at 2pm at Newcastle Civic Centre.

69 EXCLUSION OF PRESS AND PUBLIC

RESOLVED – That by virtue of paragraphs 3 and 5 of Part 1 of Schedule 12A of the Local Government Act 1972 press and public be excluded from the remainder of the meeting during the consideration of agenda items 9 and 10 (Confidential Minutes of the Previous Meeting and Tyne Tunnels – Update) because exempt information was

likely to be disclosed and the public interest test against the disclosure was satisfied.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

Date: 28th April 2016

Subject: Monitoring Nexus' Performance:
1 April 2015 to 27 February 2016

Report of: Chief Executive Officer for Transport
Managing Director (Transport Operations)

EXECUTIVE SUMMARY

This report provides an update on Nexus' performance against its Corporate Business Plan (CBP) targets and objectives for 2015/16 for the period 1 April 2015 to 27 February 2016, with particular emphasis on the twelve week period from 6 December 2015 to 27 February 2016.

RECOMMENDATIONS

It is recommended that the Committee receives and considers the report and the attached appendix giving details of Nexus corporate performance in delivering services and projects from 1 April 2016 to 27 February 2016.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

1 Background Information

- 1.1 This report provides an update on Nexus' performance against its Corporate Business Plan (CBP) targets and objectives for 2015/16 for the period 1 April 2015 to 27 February 2016, with particular emphasis on the twelve week period from 6 December 2015 to 27 February 2016.
- 1.2 Nexus' CBP has four main themes and sixteen workstreams which are identified in the annex to Appendix 1 (attached). Following publication of the QCS Board's opinion, which has been the subject of separate report to the Leadership Board, the two workstreams under Theme 3 'Deliver the Bus Strategy' have been paused while options to deliver the Strategy are being investigated. A report on the options to deliver the Bus Strategy was considered by the Leadership Board at its meeting on 24 March.

Of the 14 active work streams:-

- The remaining 12 work streams are rated 'Green' in status, five in Theme 2 'Prepare Metro for the Future'; five in Theme 4 'Continuous Organisational Improvement', and two in Theme 1 'Leading the Delivery of Better Public Transport'.
- There are two categorised as 'red' relating to 'Leading the Delivery of Better Public Transport' concerning Metro Customer Satisfaction and Metro Service Quality. Both work streams show a trend of improvement, with the Metro concessionaire DBTW being required to implement specified remedial plans particularly in the area of customer communications as well as being subjected to special monitoring measures including the application of contractually permitted interventions as a means of helping stimulate improvement. This is in addition to contractually imposed performance penalties currently forecast as amounting to £0.891m by the end of the financial year.

The Committee is referred to Appendix 1 for a more detailed analysis of the performance of Nexus during the twelve week period from 6 December 2015 to 27 February 2016.

- 1.3 It should be noted that following approval by the Leadership Board meeting on 24 March Nexus is planning to manage the Metro as an in-house operation for the period from 1 April 2017 to 31 March 2019, allowing the current Metro Concession with DB Regio Tyne and Wear Limited (DBTW) to expire on 31 March 2017. Nexus and DBTW have agreed an investment package to secure improvements in fleet performance and customer service until the current contract expires on 31 March 2017. The Leadership Board is to receive a further report identifying options for 2019 onwards in the summer of this year.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

- 1.4 Appendix 2 updates the Committee on the actions pertaining to the Great North Run. The Metro Performance action tracker will be updated at the next meeting.

2 Proposals

- 2.1 The Committee is invited to consider and comment upon the performance of Nexus during the relevant period.

3 Next Steps

- 3.1 The next performance update will be presented at the April meeting of the Committee.

4 Potential Impact on Objectives

- 4.1 Performance monitoring and review can help ensure the achievement of desired objectives.

5 Finance and Other Resources

- 5.1 There are no direct financial or resource considerations arising from this report.

6 Legal

- 6.1 There are no direct legal considerations arising from this report.

7 Other Considerations

7.1 Consultation/Community Engagement

There are no specific consultation/community engagement considerations arising from this report.

7.2 Human Rights

There are no specific human rights considerations arising from this report.

7.3 Equalities and Diversity

There are no specific equalities and diversity considerations arising from this report.

7.4 Risk Management

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

There are no specific risk management considerations arising from this report as there are no issues requiring escalation at this time. Applying performance management can help mitigate and avoid the occurrence of risks.

7.5 **Crime and Disorder**

There are no specific crime and disorder considerations arising from this report.

7.6 **Environment and Sustainability**

There are no specific environment and sustainability considerations arising from this report.

8 Background Documents

8.1 None.

9 Links to the Local Transport Plans

9.1 This report has links to the delivery of policies and objectives set out in the Local Transport Plan for Tyne and Wear.

10 Appendices

10.1 Nexus' summary performance report on the delivery of services and projects against its business plan.

10.2 GNR action tracker

11 Contact Officers

11.1 Tobyne Hughes
Managing Director (Transport Operations)
E-mail: tobyne.hughes@nexus.org.uk
Tel: 0191 203 3246

12 Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

Theme 1: Leading the delivery of better public transport.

Workstream:	Trend	Key Considerations:
Grow Public Transport Journeys (on services under Nexus control) (RAG status: Green)	↑	The year to date figure for total boardings on Metro is 37.431m and is projected to exceed £40m by the end of the financial year.
		This represents a year on year increase of 6.5% and is 6.3% over target.
Improve Customer Satisfaction (RAG status: Red)	↑	The Nov. 2015 Metro Customer Satisfaction tracking survey score was 7.6: this is below the contractual target of 8.3 and penalties are being applied.
		Nexus have accepted DBTW's remedial plan which covers: <ul style="list-style-type: none"> • Customer information, including during disruptions • Improving the station environment • Improving the train environment • Improving customer engagement and interaction, particularly at the gatelines
Improve Service Quality (RAG status: Red)	↑	As at 27 February the Metro punctuality figure was 79.4% (compared to 67.1 at the start of the period) 7.8 percentage points below the public target of 87.2%.
		The top five factors cumulatively contributing to manageable delays as at 27 February 2016 are: <ul style="list-style-type: none"> • DBTW: Driver – other • DBTW: Metrocar Saloon Door Faults • DBTW: Metrocar Power Circuit Faults • DBTW: Metrocar faults causing OHL trips • DBTW: Disorder/antisocial
		In seeking to reduce manageable delays and improve performance Nexus is working closely with DBTW to monitor fleet maintenance and operational activities.
		During the period under review there were two significant incidents on Network Rail infrastructure leading to temporary suspension of service with replacement bus services being provided.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

Exploit Smart Ticketing Technology (RAG status: Green)	↑	Popcard.co.uk, the website that allows customers to buy smart tickets on line has been live since 21 July. To date 9.680m smart journeys have been made on Tyne and Wear Metro covering 117,435 individual active cards in the year to date.
		All Arriva bus services operating 'North of the Tyne' now accept the Purple Pop PAYG smartcard and Arriva intends to roll-out the acceptance of Pop PAYG on its services that operate 'East of Middlesbrough bus station' into Redcar and Cleveland from 19th March. Stagecoach services in South Tyneside, Middlesbrough and Hartlepool will start accepting purple Pop PAYG during April
		NESTI and Nexus are working with Payzone to improve awareness that customers are able to top up their PAYG balance or purchase a smart Metro season product at a Payzone store including the Purple Pop PAYG card at selected locations.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

Theme 2: Prepare Metro for the Future

Workstream:	Trend	Key Considerations:
Plan for the Long-Term development of Metro (RAG status: Green)	↔	The long-term development plan for the Metro is being considered as an integral part of proposals for the NECA's 20-Year Transport Manifesto which will lead to the Transport Plan for the North East.
Develop fleet procurement options (RAG status: Green)	↔	Work is proceeding to develop and refine the business case. Further work is in progress on the specification for the new fleet, including future proofing for dual voltage and potential extensions
		Work has commenced on signalling options and a brief is being prepared to carry out a study to quantify possible timetable improvements.
		Various options for procuring the rolling stock have been explored and work is underway to align the procurement with the options for the next contract.
Formulate arrangements for the next Metro contract (RAG status: Green)	↔	A proposed high level scope has been developed. A workshop with TWSC is to be arranged to consult on this proposed approach
		Nexus is recommending to the NECA that the contract with DBTW is not extended beyond 1 st April 2017.
Seek confirmation on funding arrangements for Phase 3 (RAG status: Green)	↔	Options for funding are being investigated and experiences of other light rail operators sought. A market study has been commissioned examining the advantages and disadvantages of various options and their applicability to Metro.
Deliver the Metro Asset Renewal Plan (RAG status: Green)	↔	Start-on-site dates are being achieved slightly ahead of programme.
		Work is continuing to focus on developing and optimising the ARP delivery plans for the next three financial years.
		Performance against budget is on target. Overall the Programme is remaining very stable with minimal changes in project forecasts and schedules.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

Theme 3: Deliver the Bus Strategy

Workstream:	Trend	Key Considerations:
Fit for QCS (RAG status: Paused)	Paused	<p>The Quality Contracts Scheme Board met in public during the last two weeks in July with both Nexus and bus operators providing evidence.</p>
Progress with the QCS (RAG status: Paused)	Paused	<p>The opinion of the QCS Board was published on 3 November 2015. The QCS Board considered that, whilst two of the five public interest criteria had been satisfied, three had not.</p>
		<p>Detailed examination of the QCS Board's opinion is complete and a more detailed analysis has been presented to Leadership Board in March, building on the initial report to the 17 November meeting.</p>
		<p>The report will also examine the options for delivering the bus strategy and make recommendations about the way forward. This will include examination of the case for using the new powers anticipated in the forthcoming Buses Bill</p>
		<p>Nexus will examine the Buses Bill, when it is published, and engage with DfT to understand the provisions being made.</p>
		<p>In the meantime Nexus has paused all QCS implementation related work.</p>

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

Theme 4: Continuous Organisational Improvement

Workstream:	Trend	Key Considerations:
Employee Engagement (RAG status: Green)	↑	Progress is being made against the suite of improvement actions sanctioned following a review of the safety culture survey results and 'Safety Stand-down Days' for Nexus Rail front-line staff have been held.
		Further discussions are taking place between management, staff and union representatives to identify further improvement initiatives in Nexus' Year of Safety initiative.
Effective budget management (RAG status: Green)	↑	Revenue: Financial performance is better than budget.
		Capital: Forecast Metro ARP expenditure is in line with the DfT target and the programme budget remains in line with expectations.
Process Improvements (RAG status: Green)	↔	Work is being progressed for Nexus' budget planning in line with the NECA's requirements and arrangements are being made for the required review of Nexus spending and services to be supervised by TWSC.
Focus on Health, Safety and Environment (RAG status: Green)	↔	Railway operations incidents and assurance checks undertaken are within target.
		Nexus has recorded a continuous period of 40 RIDDOR (reportable event) free days, a reportable accident having occurred on 18 January.
Supporting the NECA's interests in Rail (RAG status: Green)	↔	The Members' Agreement for Rail North was approved at the NECA Leadership Board meeting in January 2016.
		The Collaboration Agreement for the North East Rail Business Management Unit was also approved at the January 2016 meeting.

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	Recommendation	Accepted?	Accountable manager	DBTW / Nexus	Target completion date	Comments on current status
1	DBTW should undertake a robust review of its planning and delivery arrangements for all future GNRs. This review should carefully consider the trends in patronage and capacity offered in previous years and ensure that all future events are planned with sufficient passenger capabilities. This review should involve the event organiser, local authorities and other relevant organisations.	Yes	Managing Director, DBTW	DBTW	March 2016	DBTW have concluded its review of planning and delivery arrangements and has implemented a new delivery structure which includes meetings chaired by the Managing Director and Operations Director. These meetings include involvement from external stakeholders. The planning arrangements are supported by documentation to ensure appropriate assurance exists throughout the process, most crucially ensuring sufficient passenger capacity is planned.
2	DBTW should work with the TUs and make use of the existing Traincrew Agreement. The main output from this action is to ensure there is sufficient driver resource for all the required shifts on future GNR. The resource levels need to meet the passenger demand profile, including catering for pre 1000 hour services.	Yes	Operations Director, DBTW	DBTW	July 2016	DBTW has commenced the process of reviewing its Train Crew Agreement. The terms of reference have been developed and a working party has been established to develop options aimed at enhancing the delivery of key Special Events. A meeting with Trade Unions took place on 22 nd March with a further meeting arranged to take place on 12 th April.
3	DBTW should initiate actions within its own organisation aimed at ensuring that if significant Metro delivery problems exist, these matters are effectively escalated to a more senior level in a prompt manner.	Yes	Operation Director, DBTW	DBTW	November 2015	DBTW has updated its internal processes for planning and submitting changed timetables to Nexus. An ongoing fortnightly meeting has been implemented with the Planning Manager, Operations Director and Contract Director to ensure all details are discussed and any resource issues are highlighted for early

	Recommendation	Accepted?	Accountable manager	DBTW / Nexus	Target completion date	Comments on current status
						resolution. This recommendation is now completed.
4	DBTW should review its arrangements for dealing with passengers feeling unwell/ taking ill in the context of special event days.	Yes	Customer Services Director, DBTW	DBTW	April 2016	DBTW is concluding its review work in connection with this recommendation. This includes future plans to work in conjunction with the North East Ambulance Service.
5	Aimed at avoiding disruption from unnecessary OHL overload trips, DBTW should brief, train or otherwise improve the knowledge and understanding of the relevant Metro Control Room staff to ensure that effective train regulation takes place during special events, times of disruption and any other time this may be required.	Yes	Current Operations Manager, DBTW	DBTW	January 2016	Signed briefings have been provided to Service Delivery Controllers and Power Controllers specifying the impact of regulation during operational periods. During the 2016 Great North Run DBTW will provide an additional Power Controller and appoint a Director to act as an "event commander" in the Control Room. This recommendation is now completed.
6	DBTW and Nexus should put in place firm arrangements with respect to the handover of draft timetables. These arrangements should include, but not be limited to: <ul style="list-style-type: none"> a clear indication as to whether or not the proposed draft timetable meets the Operating Specification 	Yes	Head of Metro Delivery, Nexus	Joint Nexus / DBTW	February 2016	Nexus have formulated detailed proposals that have now been shared with, and agreed by, DBTW. The new arrangements became live in February 2016. This recommendation is now completed.

	Recommendation	Accepted?	Accountable manager	DBTW / Nexus	Target completion date	Comments on current status
	<ul style="list-style-type: none"> a clear indication of how the capacity of the proposed draft timetable compares to previous actual arrangements; a clear indication where any spare (to be directed on the day) trains are shown on the timetable (or some similar methodology); and the inclusion of a section highlighting the level of delivery risk. 					
7	Nexus should review the effectiveness of its draft timetable reviewing arrangements.	Yes	Head of Metro Delivery, Nexus	Nexus	January 2016	Nexus has completed its analysis and has implemented changes as a result. This recommendation is now completed.
8	Nexus should undertake a cost benefit analysis on whether alterations to the OHL around South Shields may make this asset more resilient.	Yes	Head of Engineering, Nexus	Nexus	February 2016	Costs and benefits of the alterations were established by the target completion date. Subsequently, a report is being prepared for Corporate Management Team on 19 April 2016. This will allow a decision on works to be made, with any agreed alterations to be completed prior to September 2016. This recommendation is now completed.
9	Nexus should review Annex 1 of the Operating Specification with a view to	Yes	Head of Metro	Nexus	March 2016	The review was completed by the target date, with alterations shared with DBTW.

	Recommendation	Accepted?	Accountable manager	DBTW / Nexus	Target completion date	Comments on current status
	removing any sources of ambiguity.		Delivery, Nexus			This recommendation is now completed.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

Date: 28th April 2016
Subject: Metro Operations 2017 to 2019
Report of: Managing Director (Transport Operations)

Executive Summary

At its meeting on 24 March 2016 the Leadership Board endorsed Nexus' intention to allow the current Metro Concession with DB Regio Tyne and Wear Limited (DBTW) to expire on 31 March 2017, with Nexus managing the Metro as an in-house operation for the period from 1 April 2017 to 31 March 2019. In doing so the Board noted that Nexus had secured confirmation from the Department for Transport that revenue funding for Metro would be unaffected by this decision. This report seeks to update the Sub-committee on the work that Nexus is undertaking to prepare for the transition from DBTW to Nexus operations from 1 April 2017.

Recommendations

It is recommended that the Sub-committee notes this report.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

1 Background Information

- 1.1 In February 2010 a Concession Agreement was let by Nexus to DBTW for the operation of Tyne and Wear Metro Passenger Services commencing 1 April 2010. Under this contract the operation of the Metro service, maintenance of trains, the cleaning of trains and stations and the management of the relationship with customers was contracted to DBTW for a period of 7 years with the Concession ending on 31 March 2017. The contract allowed for a 2 year extension period to 31 March 2019, although such extension was entirely at the discretion of Nexus.

2 The existing Concession Agreement

- 2.1 Metro's patronage has been growing steadily for the last 2 years and the system remains one of the highest frequency and lowest cost urban operations in the UK for both passengers and tax-payers. However both Nexus and DBTW have been dissatisfied with the structure and the financial and operational performance of the Concession.
- 2.2 Operational punctuality has for some time been well below target levels, train fleet reliability is low by UK standards and customer communications during system disruption has been of variable quality. This has resulted in customer satisfaction with Metro being at a low point with a number of contractual targets having been missed.
- 2.3 On the basis of the above, the best approach for all parties is considered to be for the Concession to expire on 31 March 2017 and for Nexus not to exercise its option to extend for the additional 2 year period.

3 Future Plans

- 3.1 Nexus is presently working on an outline business case for investment in a new train fleet, along with a draft specification for rolling stock, with a target date for the introduction of a new fleet in early 2020. The outline business case is expected to be completed in the very near future and is intended to convey the benefits of investing in a new fleet. With that in mind Nexus has established a project to determine future operating arrangements for Metro, working on the assumption that those arrangements will be built around the acquisition and deployment of a new fleet of trains. The future operating contract will therefore not be re-let on a like-for-like basis.
- 3.2 Options for future operating models and fleet will be presented to the Leadership Board in due course and this will inform discussions with the Department for Transport and other fund-holders.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

- 3.3 The procurement process is likely to commence in June/July 2017 with a new contract commencing in April 2019.
- 3.4 An outline of the timeline involved in planning for the future investment in the system was recently set out in a report to Transport North East Committee (“Securing Investment for Metro and Local Rail”), which is Item 6 in the agenda pack at: http://www.northeastca.gov.uk/sites/default/files/minutes_document/TNEC%2026%20February%202016%2C%20Agenda%20Pack_0.pdf

4 Transition Arrangements

- 4.1 Nexus is developing a plan to manage the process of transition from DBTW operation to Nexus, effective from 1 April 2017.
- 4.2 Nexus previously owned, managed and operated the Metro system from its opening in 1980, including extensions to South Shields, Airport and Sunderland, before commencement of the current Concession in 2010. Many of the staff who currently work in Nexus have worked for Metro during their careers and this includes the current senior management in Nexus Rail and Infrastructure department. Nexus therefore has considerable experience in the operational running of Metro.
- 4.3 In order to oversee the transition Nexus has appointed the Corporate Manager, Legal & Human Resources, to lead on the transition process. A number of work-streams have been identified which will be undertaken during the period 1 April 2016 to 31 March 2017 which can be summarised as follows:-
 - (a) A structure that will deliver Metro operations as a Nexus in-house service from 1 April 2017.
 - (b) The transfer of staff from DBTW to Nexus under the provisions of “TUPE”, retaining their current terms and conditions including LGPS pension entitlements.
 - (c) Regulatory matters – in order to undertake Metro operations Nexus must ensure a number of regulatory compliance matters are completed including obtaining both “passenger” and “station” licences and relevant safety certificates from the Office of Rail and Road (ORR), together with “track access” and “station access” agreements with Network Rail to run services on the national rail network between Pelaw and Sunderland.
 - (d) Contractual matters – it will be necessary to ensure that contractual arrangements presently in place to ensure provision of passenger services currently undertaken by DBTW are in place post April 2017. The current Concession Agreement details a number of agreements which are crucial to the running of Metro operations and Nexus already has in place provision for novation of such contracts together with direct agreements with third party contractors. These include agreements with

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

Northumbria Police and British Transport Police in relation to policing; cleaning contracts in relation to cleanliness of trains and stations and a number of CCTV monitoring agreements. A myriad of other agreements covering a number of areas were novated to DBTW and are able to be transferred back to Nexus from April 2017.

(e) Financial matters – it is necessary to establish the true financial cost of operating the Metro service. Whilst Nexus is fully aware of the cost pre-2010 and is aware of the overall payments currently being made to DBTW to operate the services, it will be necessary for Nexus to undertake a thorough review of all costings.

- 4.4 Nexus will establish a dedicated Project Team under the Metro Transition Director with external support being procured where required to support the transition process and to supplement Nexus operational capacity and capability. Budgetary provision for this already exists within Nexus 2016/17 budget as agreed by the Leadership Board in January 2016.
- 4.5 Confirmation has been received from the Department for Transport that revenue funding for Metro will be continue in full for the period April 2017 to March 2019.
- 4.6 As transition proceeds further information will be provided to members, both in formal reports to the Sub-committee and through member seminars.

5 Potential Impact on Objectives

- 5.1 The proposals outlined in this paper will ensure that Metro operations will continue in the interim period between 2017 and 2019 with appropriate revenue support from central government. This will ensure that appropriate plans can be implemented to improve the performance of Metro and create a smooth transition to a new contract to deliver a replacement fleet for Metro.

6 Finance and Other Resources

- 6.1 Ensuring that revenue grant support from DfT covering the period 1 April 2017 to 31 March 2019 was essential to the proposal not to extend the current Concession. The written confirmation from DfT is therefore extremely helpful.
- 6.2 The cost of Metro operations currently falls on DBTW albeit approximately 95% of the costs incurred by DBTW are met by Nexus (from a combination of DfT grant and fare revenue). The small proportion of costs incurred by DBTW that are not met by Nexus are accommodated via commercial revenues earned largely in respect of advertising on trains and at stations, penalty fare income and through granting concessions at stations e.g. coffee kiosks, newsagents and other commercial ventures.
- 6.3 Although DBTW are not generating the level of financial return envisaged when they originally bid for the Metro concession, equally they are not incurring losses. It

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

therefore follows that Nexus ought to be able to accommodate the cost of running Metro operations from within the payment it currently budgets for in regards the operating concession. Nexus had a good understanding of the costs incurred in delivering Metro operations prior to the letting of the Concession and an exercise, similar to the one which led to the completion of the 'long form report' for prospective bidders in 2009 will be undertaken in conjunction with DBTW in order to better understand the way in which costs are now incurred and, in particular, what drives those costs.

6.4 Any costs over and above those already provided for will need to be met from within the wider Nexus budget, including reserve funding.

6.5 The cost of the transition during 2016/17 will be met from within Nexus' 2016/17 revenue budget, as referred to paragraph 4.4.

7 Legal

7.1 The key legal implications are set out in the body of the report. Nexus have the contractual right to decide whether or not to extend the existing Concession with DBTW beyond April 2017.

8 Other Considerations

8.1 Consultation/Community Engagement

There are no specific consultation requirements arising from this report, however Metro customers and key stakeholders will continue to be informed throughout the process. A consultation will be undertaken during 2016 on elements of the contract that can meaningfully be consulted on to shape the contract for 2019 and beyond.

8.2 Human Rights

There are no specific human rights considerations arising from this report.

8.3 Equalities and Diversity

There are no specific equalities and diversity considerations arising from this report.

8.4 Risk Management

Ensuring that adequate funding from DfT is available during the transition period 2017-19 mitigates a key financial risk associated with the recommendations contained within this report.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

There are, however, other risks arising and these have been considered in a risk workshop. These relate primarily to:-

- The transition from the current operating concession to in-house operations;
- Ensuring that operational performance does not deteriorate any further and that it in fact improves;
- Nexus capability and capacity to manage the service;
- Financial arrangements, in particular the need to ensure that costs do not increase as a result of operations coming back in-house;
- Workforce matters including TUPE, pensions and industrial relations; and
- Safety Management and regulatory approvals.

The Metro Transition Director will be responsible for developing and managing a detailed risk register throughout the mobilisation period.

8.5 **Crime and Disorder**

There are no specific crime and disorder considerations arising from this report.

8.6 **Environment and Sustainability**

There are no specific environment and sustainability considerations arising from this report.

9 **Background Documents**

- 9.1 The report of the Transport Lead Executive Officer and Managing Director (Transport Operations) to the Transport North East Committee on 24 March 2016.

10 **Links to the Local Transport Plans**

- 10.1 The proposal supports the continued delivery and enhancement of Metro services going forward as set out in the Transport Manifesto.

11 **Appendices**

- 11.1 None.

12 **Contact Officers**

- 12.1 Tobyn Hughes, Managing Director (Transport Operations),
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North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

13 Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

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North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

Date: 28 April 2016
Subject: Nexus' Strategic Risks 2016/17
Report of: Managing Director (Transport Operations)

Executive Summary

The purpose of this report is to advise and seek comment from the Committee of Nexus' strategic risk register.

Recommendations

The Committee is asked to note and provide comment on Nexus' strategic risk register.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

1 Background Information

- 1.1 Nexus defines its strategic risks as those matters outside its direct control which, if the risk occurred, could have adverse consequences for the achievement of the NECA's long term policy objectives and aspirations for service delivery in Tyne and Wear. The strategic risks are linked to themes and workstreams contained in Nexus' Corporate Business Plan (CBP) which was approved by the committee at its meeting of 28 January 2016.
- 1.2 Nexus regularly reviews its strategic risks to identify and understand any changes that have taken place in either the likelihood of the risk occurring or the severity of the consequences and updates the Committee accordingly each quarter. Nexus also actively manages a range of operational risks through the Nexus Corporate Business Planning process. Operational risks are reviewed every four weeks by Nexus Corporate Management Team.
- 1.3 The nine risks contained in Nexus' strategic risk register in 2015/16 were as follows:
- Funding for & affordability of Metro Asset Renewal Plan (ARP) Phase 2 through to 2020/21
 - Commitment to long-term funding of Metro.
 - Realising smart technology outcomes.
 - Public Funding for Bus Services.
 - Tools to Deliver the Bus Strategy.
 - Service Quality of the Metro Concession.
 - Quality of non-Metro Infrastructure Assets.
 - Learning from safety related accidents and near-miss incidents.
 - Delivery of strategic commitments.
- 1.4 With the adoption of a revised CBP for 2016/17, it is appropriate that the committee receives an update in regard the appropriateness of these risks being retained by Nexus on its strategic risk register and whether or not any new risks need to be recognised.
- 1.5 **Funding for & affordability of Metro Asset Renewal Plan (ARP) Phase 2 through to 2020/21** – Nexus has removed this risk from its strategic risk register given the government's confirmation of the funding for the remainder of Phase 2 of the ARP as part of SR2015.
- 1.6 **Commitment to long-term funding of Metro** – this risk continues to be recognised on Nexus' strategic risk register (refer to the strategic risk now entitled 'Secure Metro's Financial Future').
- 1.7 **Realising smart technology outcomes** – Nexus has removed this risk from its strategic risk register; risks associated with the on-going development of

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

smart technology are considered to be within Nexus' direct control and will instead be managed at an operational level.

- 1.8 **Public funding for bus services** – Nexus has removed this risk from its strategic risk register; risks associated with the lack of available funding for bus services are considered to be within Nexus' direct control and will be addressed through the Review of Nexus Services.
- 1.9 **Tools to deliver the bus strategy** – this risk continues to be recognised on Nexus' strategic risk register (refer to the strategic risk now entitled 'Bus Strategy delivery arrangement').
- 1.10 **Service quality of the Metro concession** – Nexus has removed this risk from its strategic risk register; risks associated with the management of Metro are considered to be within Nexus' direct control and will instead be managed at an operational level.
- 1.11 **Quality of non-Metro infrastructure assets** – Nexus has removed this risk from its strategic risk register; risks associated with the management of non-Metro infrastructure are considered to be within Nexus' direct control and will instead be managed at an operational level.
- 1.12 **Learning from safety related accidents and near-miss incidents** – Nexus has removed this risk from its strategic risk register; risks associated with the management of safety related accidents and near misses are considered to be within Nexus' direct control and will instead be managed at an operational level.
- 1.13 **Delivery of strategic commitments** – this risk continues to be recognised on Nexus' strategic risk register (refer to the strategic risk now entitled 'Future retention of key skills and abilities').
- 1.14 The following risks are now included on Nexus' strategic risk register for 2016/17. A detailed explanation of the nature of the strategic risk, together with planned controls are set out in the attached appendix. A copy of the scoring matrix that has been applied is also appended for information.

Risk name/ CBP workstream link:	Risk score	Direction of Travel
Rail North working arrangements/ Improve local rail services.	4	↔ (Static)
Long term funding for Metro/ Secure Metro's Financial Future	6	↔ (Static)

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

Bus Strategy delivery arrangements/ Plan the next steps for buses.	9	↔ (Static)
Future retention of key skills and abilities/ Develop training and succession planning.	9	↔ (Static)

2 Proposals

- 2.1 Nexus will continue to manage its strategic risk register to record, monitor and report the strategic risks to the Tyne and Wear Sub Committee at quarterly intervals.

3 Next Steps

- 3.1 A quarterly update on Nexus strategic risks will be reported to the Committee.

4 Potential Impact on Objectives

- 4.1 Nexus' strategic risk register will not impact directly on the objectives of the Authority's policies and priorities; however Nexus' approach to strategic risk management will support delivery of aims and ambitions by acknowledging the biggest threats and putting plans in place to manage them.

5 Finance and Other Resources

- 5.1 There are no direct financial implications for the NECA regarding the management of Nexus' Strategic Risk Register.

6 Legal

- 6.1 There are no specific legal implications for the NECA arising directly from this report.

7 Other Considerations

7.1 Consultation/Community Engagement

There are no consultation/community engagement considerations arising from this report.

7.2 Human Rights

There are no Human Rights implications directly arising from this report.

7.3 Equalities and Diversity

There are no equalities and diversity implications directly arising from this report.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

7.4 Risk Management

There are no direct risk management implications for the NECA arising from this report which provides the assurance that Nexus is managing its strategic risks.

7.5 Crime and Disorder

There are no crime and disorder implications directly arising from this report.

7.6 Environment and Sustainability

There are no environment and sustainability implications directly arising from this report.

8 Background Documents

8.1 There are no background documents.

9 Links to the Local Transport Plans

9.1 Nexus' approach to strategic risk management will support delivery of the Strategic Economic Plan and the Tyne and Wear Local Transport Plan, by identifying and dealing with the biggest long-term threats to delivery.

10 Appendices

10.1 Each of Nexus' four strategic risks is appended for information.

11 Contact Officers

11.1 Tobyn Hughes, Managing Director (Transport Operations),
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12 Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

Please use ✓

13 Glossary

Risk - A probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through pre-emptive action.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

Risk Controls or control processes - are those pre-emptive actions which are specifically identified to be taken to lower the impact of the risk or reduce the likelihood of the risk materialising, or both of these.

Risk Matrix - a graphical representation of the Risk Severity and the extent to which the Controls mitigate it.

Risk Owner - has overall responsibility for the management and reporting of the risk.

Risk Impact - indicates the potential seriousness should the risk materialise.

Risk Likelihood - indicates the chance of a risk materialising in the time period under consideration.

Risk Score - the product of the Impact score multiplied by the Likelihood score, which is calculated twice:

1. The Uncontrolled Risk Score represents the initial estimation of the severity of the risk: the uncontrolled score represents the initial estimation of the severity of the risk before controls are applied; and
2. The Controlled Risk Score is calculated by reassessing the risk taking into account consideration of the effect of having Controls on the Likelihood and Impact in place.

Strategic Risk - relates to those factors that might have a significant effect on the achievement of Nexus' long-term business objectives and therefore the successful delivery of the NECA's policies and priorities.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

CBP Theme: **Improve public transport today**

CBP Workstream: **Improve local rail services**

<p>Risk Type: Resources</p> <p>Risk Owner: Director of Rail and Infrastructure</p> <p>Risk Area: Rail North working arrangements</p>	<p>Risk Score 4 (2x2)</p>	<p>Direction of Travel</p>
	<p style="background-color: green; color: white; text-align: center;">Green</p>	<p style="text-align: center;">↔ (static)</p>
<p><u>Risk</u></p> <p>Rail North working arrangements may fail to deliver the NECA's ambitions for improvements in rail services.</p>		
<p>Impact/Consequence(s):</p> <p>The NECA is seeking to achieve transformational improvements in rail services for the area. Failure to secure these improvements could leave the NECA area isolated in terms of rail connectivity and thereby limit delivery of the Strategic Economic Plan.</p>		
<p>Control(s):</p> <ul style="list-style-type: none"> • Active participation in Rail North • Ensuring that the NECA Lead Member for Transport is fully briefed • Formation of the North East Rail Management Unit (NERMU) • Appointment of NERMU Manager • Close working relationships developed with Rail North Partnership Directors • Close working relationships developed with senior managers of newly appointed local rail franchise operators. • Close working relationships developed with senior managers of existing rail franchises that serve the North East 		
<p>Next Steps/Key Milestones:</p> <ul style="list-style-type: none"> • Undertake recruitment and appoint the manager for the NERMU (June 2016) • Establish contact with senior managers at Northern and Transpennine TOCs (May 2016) • Establish liaison arrangements between TOC's, NECA and NERMU (summer 2016) • Run the first NERMU (on-going) 		

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

CBP Theme: **Prepare for the future**

CBP Workstream(s): **Secure Metro's Financial Future**

Risk Type: Resources Risk Owner: Director of Finance and Resources Risk Area: Long term funding for Metro	Risk Score 6 (2x3)	Direction of Travel
	Green	↔ (static)

Risk

There is no long-term funding agreement in place to sustain Metro's current operations, replace life expired capital assets and allow future expansion.

Impact/Consequence(s):

The next stage of Metro reinvigoration, commencing in 2021/22, includes replacement of the Metrocar fleet and the signalling system without either of which the continued safe and reliable operation of the railway will not be sustainable in the longer term.

Securing a long-term funding agreement involves the consideration of options concerning the future structure of Metro operations to facilitate procurement of the necessary elements. Commitment to long-term funding has to be established through influencing strategic partners.

Control(s):

- Effective liaison with DfT including 4-weekly progress reporting on the current Asset Renewal Plan and 1/4ly reviews.
- Procurement strategy & contractual arrangements that minimise risk and deliver VFM.
- Value engineering, technology choice, option analysis, specification and scope.
- Engaging members in prioritisation processes.
- Active stakeholder engagement/increasing public awareness.
- Engaging with national government, local councillors & MPs and building public support.
- Inclusion of Metro fleet renewal and route extensions in the devolution agreement.
- Ensuring that the long term plan Metro forms an integral part of the NECA's Transport Plan for the North East.
- Linking Metro to the long term development aspirations of the NECA, local Councils and the North East LEP's Strategic Economic Plan.
- Engaging with national government.
- Engaging with local councillors and MPs.
- Leading in development of the business case.
- Identifying and investigating potential funding streams.

Next Steps/Key Milestones:

- Regular quarterly reviews with DfT

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

- Liaison with DfT to ensure ambitions surrounding future development of Metro can be achieved.
- Input to NECA's Transport Manifesto.
- Input to NECA's Transport Plan for the North East.
- Outline Business Case for New Rolling Stock to be produced by end of March 2016
- Outline Business Case for essential renewals beyond 2021 – continuing the current Asset Renewal Programme – to be produced by end of April 2017
- New Metro and local rail strategy to be produced in draft form for consideration by TNEC during summer 2016.
- Development of a business case for extensions will begin immediately following approval of the new Metro and local rail strategy.
- OJEU notice for next Metro operating contract commencing April 2019, to include fleet replacement, to be placed by June 2017.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

CBP Theme: **Prepare for the future**

CBP Workstream: **Plan the next steps for buses**

Risk Type: Resources Risk Owner: Corporate Manager Bus Services Risk Area: Bus strategy delivery arrangements	Risk Score 9 (3x3)	Direction of Travel
	Amber	 Static

Risk

New legislation does not provide the necessary means to deliver the Bus Strategy.

Impact/Consequence(s):

The Buses Bill is still at a formative stage and has not yet been considered by Parliament. Timescales for delivering any of the options envisaged under the Buses Bill may be extended as a result of the novelty of the proposed legislation which would be unlikely to achieve Royal Assent before early 2017.

Furthermore, the devolution deal envisages that options for implementing a bus franchising scheme across some or all of the entire NECA area, including Northumberland and Durham, might be considered. There are a number of political and practical risks associated with expanding the scope of bus franchising that will need to be managed and mitigated.

Control(s):

- Undertake a full review of options to deliver the Bus Strategy, including options for bus franchising, through a scoping study. This study will lead to the development of a business case for a preferred option, for consideration by the NECA and a future elected mayor.
- Engage constructively with Northumberland and Durham at an early stage in order to: understand their priorities for buses; reflect those priorities in a series of objectives (which must also reflect the objectives in the Bus Strategy for Tyne and Wear); and ensure that they are fully engaged with a scoping study and business case development study that relate to establishing a preferred strategy delivery option.
- Mitigate legal, operational and procurement risks by seeking appropriate advice.
- Ensure local and national stakeholders are aware of the choices being made.
- Engage with DfT
- Engagement with local MP's to brief on legislative requirements
- Maintain constructive dialogue with local bus operators.
- Put in place background information and research projects in order to ensure that decision makers are fully informed about the benefits the Buses Bill can deliver.

Next Steps/Key Milestones:

- Nexus will provide a full response to the QCS Board opinion and a recommended course of action for delivering the Bus Strategy by March 2016, following publication of the draft Buses Bill.
- Nexus will set up working groups with Northumberland and Durham in order to ensure full consideration of strategy delivery options across the NECA is

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

undertaken in an inclusive manner

- Undertake a scoping study, leading to an outline business case, that considers options for delivering an agreed set of bus objectives
- Address deficiencies in the availability of bus use and bus revenue data for the full NECA area, preferably through bilateral data sharing agreements with bus operators

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

CBP Themes: **Be an effective delivery agent for the NECA.**

CBP Workstream: **Develop training and succession planning**

<p>Risk Type: Resources</p> <p>Risk Owner: Corporate Manager Legal and Human Resources; Corporate Manager HSQT&E.</p> <p>Risk Area: Future retention of key skills and abilities.</p>	<p>Risk Score 9 (3x3)</p> <p style="background-color: yellow; text-align: center;">Amber</p>	<p>Direction of Travel</p> <p style="text-align: center;">↔</p> <p>Static</p>
<p><u>Risk</u></p> <p>Nexus may be unable to recruit and retain key personnel because of public sector pay restraint and competition from more buoyant employers</p>		
<p>Impact/Consequence(s):</p> <p>This could adversely impact on Nexus' ability to deliver key projects on behalf of the NECA. Placing reliance on third party resources (e.g. external consultants) to provide the required skills and expertise could result in increased costs and/or delays.</p>		
<p>Control(s):</p> <ul style="list-style-type: none"> • Review and revise the "person spec" for key posts to open up the potential size of the application base: completed. • Review the market supplements available to key posts: active. • Review key aspects within Nexus recruitment process: active. • Develop a wider internal graduate base from which to draw: active. • Explore 'fast-track' options to secure a graduate base: completed. • Develop succession plans for key business areas: completed. • Develop training and succession planning to ensure we are fit to meet changing business requirements. • Design and construct a new staff training centre. • Structure a change programme around the opportunities that the new facilities will offer. 		
<p>Next Steps/Key Milestones:</p> <ul style="list-style-type: none"> • Complete the review of market supplements for key posts. • Implement changes to Nexus recruitment process. 		

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

Strategic Risk Analysis Toolkit

Determine the risk priority:					
B: Impact					
		Insignificant	Minor	Significant	Critical
Likelihood	High	4	8	12	16
	Medium	3	6	9	12
	Low	2	4	6	8
	Negligible	1	2	3	4

A - Assess the likelihood of the risk occurring:	
High	More than a 75% chance of circumstances arising
Medium	40% to 75% chance of circumstances arising
Low	10% to 40% chance of circumstances arising
Negligible	Less than a 10% chance of circumstances arising

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

B - Assess the impact should the risk occur:

	Legislative/contractual	Service Delivery	Financial	Reputational	Project delivery
40 Significant/Showstopper	<ul style="list-style-type: none"> Statutory duty or regulatory requirement not achieved 	<ul style="list-style-type: none"> Longer term disruption to major service element. 	<ul style="list-style-type: none"> Inability to secure or loss of significant funding opportunity (£5m) Significant financial loss in one or more partners (£2m) Significant adverse impact on budget 	<ul style="list-style-type: none"> Persistent adverse national media coverage 	<ul style="list-style-type: none"> Failure to deliver several high profile targets
40 Significant	<ul style="list-style-type: none"> Breach of significant contract; element of legislative requirement not achieved. 	<ul style="list-style-type: none"> Major element of service not provided for 1 week, longer term disruption to minor element 	<ul style="list-style-type: none"> Prosecution Change in notable funding or loss of major funding opportunity (£2m) Notable change in a Partners contribution Notable adverse impact on budget 	<ul style="list-style-type: none"> Persistent adverse local media coverage 	<ul style="list-style-type: none"> Failure to deliver a high profile target

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

Minor	<ul style="list-style-type: none"> Breach of minor contract; failure to meet significant contract terms 	<ul style="list-style-type: none"> Major element of service not provided for 1 day, minor element not provided for 1 week 	<ul style="list-style-type: none"> Minor financial loss in more than one business activity Some/loss of funding or funding opportunity threatened 	<ul style="list-style-type: none"> Adverse local publicity / local public opinion 	<ul style="list-style-type: none"> Significant delay to high profile project, or failure to deliver target
Significant	<ul style="list-style-type: none"> Failure to meet minor terms of contract 	<ul style="list-style-type: none"> Short term disruption to restricted aspects of service delivery 	<ul style="list-style-type: none"> Isolated/minor financial impact 	<ul style="list-style-type: none"> Short term adverse local public opinion. 	<ul style="list-style-type: none"> Delay to project

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